

UNIVERSITY OF KENTUCKY BOARD OF TRUSTEES

Eric Monday, Executive Vice President for Finance and Administration and Co-Executive Vice President for Health Affairs



What We Will Cover:

- Summary of FCRs
- Update: Performance Funding Model







For Kentucky!
Healthier, wealthier + wiser!
Ed



FCRs Overview: Supporting Our Mission to Advance Kentucky

- Gifts to enhance scholarships, learning for students
- Improvements to patient care and research facilities
- Investments to shape the future of UK Athletics



UNIVERSITY OF KENTUCKY BOARD OF TRUSTEES

Angela S. Martin, Vice President for Financial Planning and Chief Budget Officer



KENTUCKY POSTSECONDARY EDUCATION PERFORMANCE FUNDING MODEL

Evolution of Performance Funding

PBF 1.0: Early Output-Based Models

- **Simple metrics:** degrees awarded, retention, graduation rates
- Often **small bonus funding** layered on top of traditional enrollment-driven formulas
- **Little attention to mission differentiation**, equity, or unintended consequences

PBF 2.0 – Outcomes and Completion-Centered Models

- **Wave of revival**, driven by Lumina Foundation and Complete College America influence
- Policy focus on degree **attainment and completion** rates
- Metrics focused on: completion, retention, credit accumulation, workforce-aligned credentials

Toward PBF 3.0 – Labor Market and Student-Centered Innovations

Increasing focus on:

- **Post-graduation** outcomes: earnings, job placement, and regional economic alignment
- Student **service utilization** (advising, tutoring) and **momentum metrics**
- Technology-enabled tracking of outcomes

1970s – 1990s

2010 – 2015

2022 – Present

2000s

2015 – 2022

Looking Forward

Retrenchment and Rethinking

Many early adopters **abandoned** PBF due to:

- **Complexity** in implementation
- Political **resistance** from institutions
- **Lack of evidence** of effectiveness

However, some states (e.g., Tennessee) refined their models rather than eliminated them.

Equity, Mission Sensitivity, and Nuanced Metrics

States refined models to:

- Include **equity metrics**: Pell recipients, URMs, adults, veterans
- Support **institutional differentiation** (e.g., flagships vs. regional vs. community colleges)
- States increasingly used stop-loss provisions, **hold harmless clauses**, and phase-in periods

Emerging Frontier

- Stackable credential pathways, **cross-sector collaboration**, real-time labor data integration
- Discussions of comprehensive learner records and **institutional return on investment**

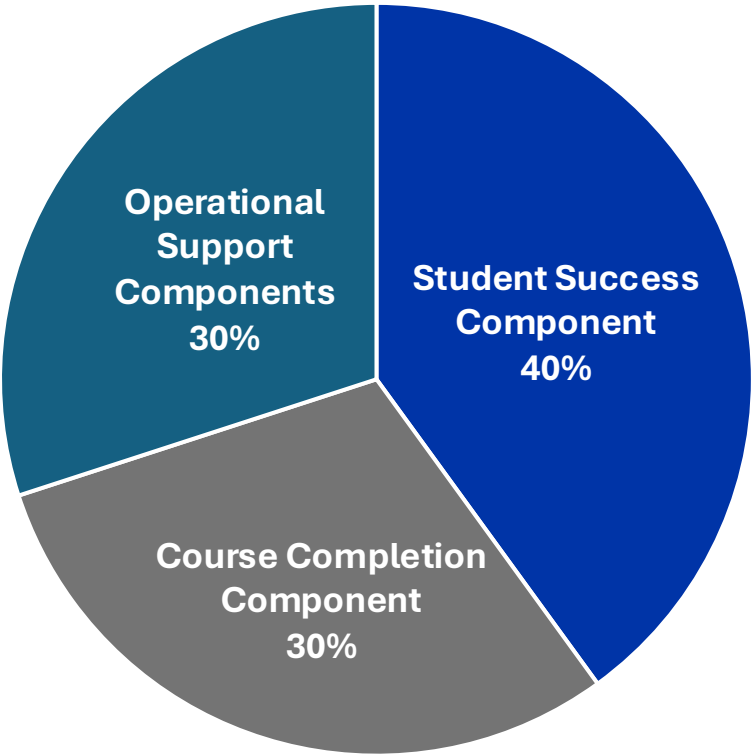
Kentucky Postsecondary Education Performance Funding Policy Goals and Objectives

Improve opportunity for the Commonwealth's citizens and build a stronger economy by:

1. Increasing the retention and progression of students toward timely credential or degree completion
2. Increasing the number and types of credentials and degrees earned by all types of students
3. Increasing the number of credentials and degrees that garner higher salaries upon graduation, such as science, technology, engineering, math and health and in areas of industry demand
4. Closing achievement gaps by increasing the number of credentials and degrees earned by low-income students, underprepared students, underrepresented students and nontraditional age students
5. Facilitating credit hour accumulation and transfer of students from KCTCS to four-year institutions

Sources: House Bill 303 of the 2016 Regular Session. Legislative Research Commission. <https://apps.legislature.ky.gov/record/16rs/hb303.html> | Kentucky Revised Statutes 164.092. Legislative Research Commission. <https://apps.legislature.ky.gov/law/statutes/statute.aspx?id=54625>

POSTSECONDARY EDUCATION PERFORMANCE FUNDING MODEL | UNIVERSITY MODEL



Student Success Component

40% of allocable resources is distributed based on each university's share of total student success outcomes produced

9% Bachelor's Degrees
8% Low Income Bachelor's Degrees
5% STEM+H Bachelor's Degrees
3% First Generation Bachelor's Degrees
7% Student Progression @ 90 Credit Hours
5% Student Progression @ 60 Credit Hours
3% Student Progression @ 30 Credit Hours

Course Completion Component

30% of allocable resources is distributed based on each university's share of total weighted student credit hours earned in a year

30% Weighted Student Credit Hours Earned
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Operational Support Component

30% of allocable resources is distributed based on each university's share of total vital campus operation support metrics

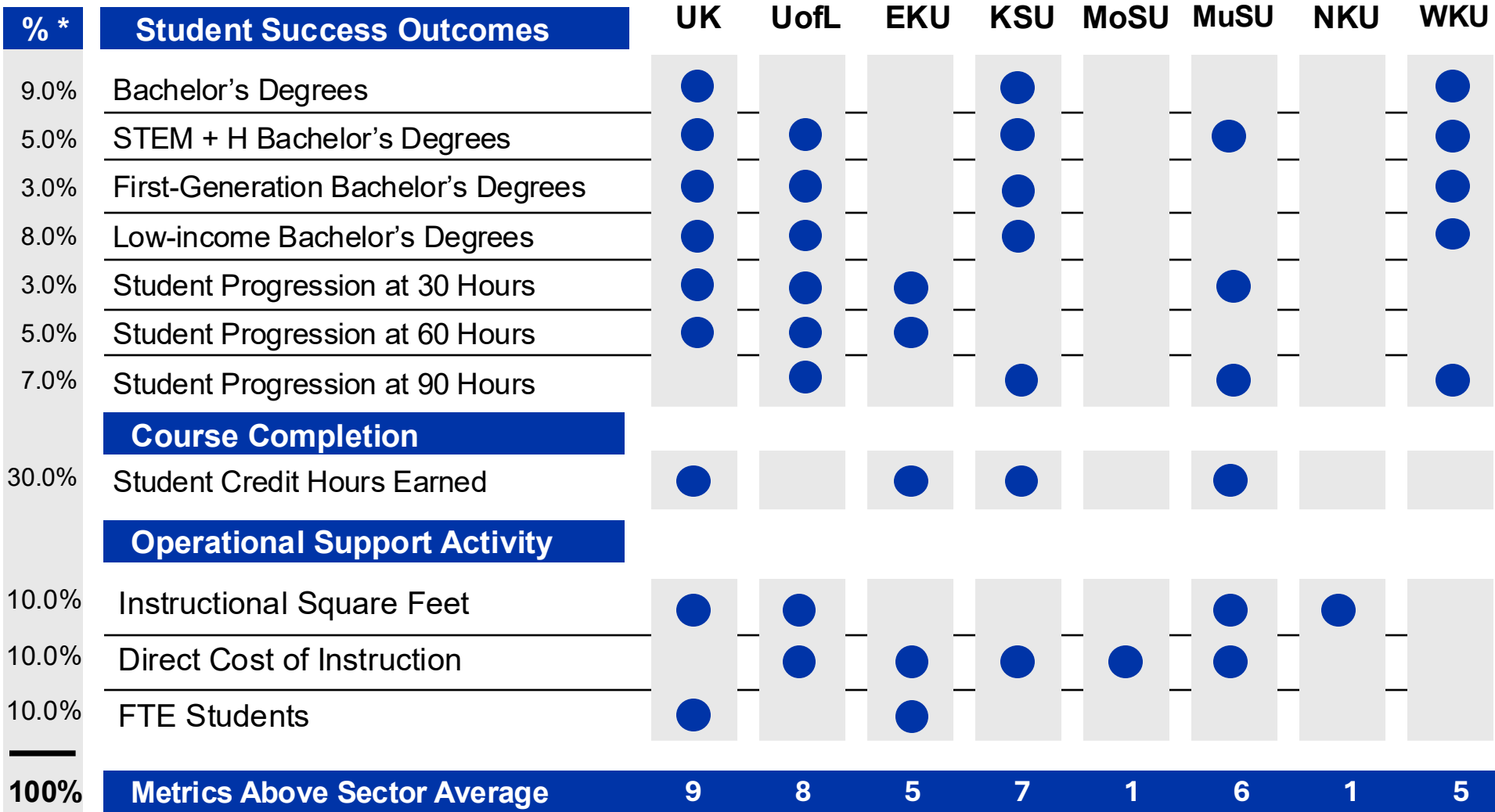
10% Maintenance & Operations
10% Institutional Support
10% Academic Support

Sources: Kentucky Council on Postsecondary Education. Presentation to the House Standing Committee on Postsecondary Education. February 4, 2025. | Kentucky Council on Postsecondary Education. 2025-26 Performance Distribution. April 15, 2025. | Legislative Research Commission. KRS 164.092. | Legislative Research Commission. 13 KAR 2:120.

POSTSECONDARY EDUCATION PERFORMANCE FUNDING MODEL | UNIVERSITY MODEL

Metrics where rates of growth exceeded sector average between FY 2024-25 and FY 2025-26 iterations

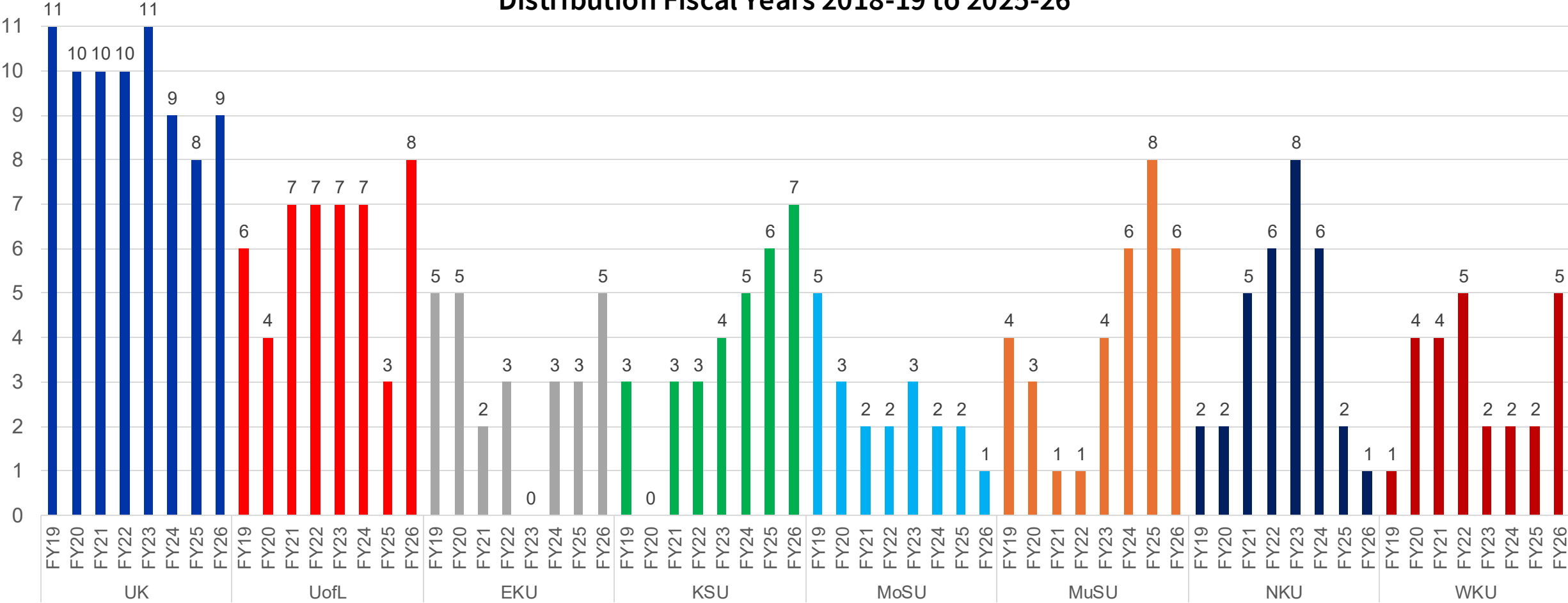
* Performance funding metric shares



Sources: Kentucky Council on Postsecondary Education. Materials provided to the Chief Budget Officers Group. | Kentucky Council on Postsecondary Education. 2025-26 Performance Distribution. April 15, 2025.

Number of Metrics Where Rates of Growth Exceeded Sector Average

Distribution Fiscal Years 2018-19 to 2025-26



Note: There were 11 metrics each year except 10 metrics in FY 2024-25. For fiscal year 2024-25, the General Assembly replaced the URM student bachelor's degree metric with unweighted low-income (1.5%) and first generation (1.5%) student bachelor's degree metrics. A year-over-year growth rate could not be calculated for these metrics.

POSTSECONDARY EDUCATION PERFORMANCE FUNDING MODEL | UK

PERFORMANCE FUNDING POOL*

Fiscal Year	Universities Required Contributions	State Funding
2017-18	\$28.9	\$ --
2018-19	24.2	--
2019-20	38.6	--
2020-21	11.7	--
2021-22**	--	13.5
2022-23	--	75.8
2023-24	--	75.8
2024-25	--	81.9
2025-26	--	89.7
IN MILLIONS		

UK RESULTS

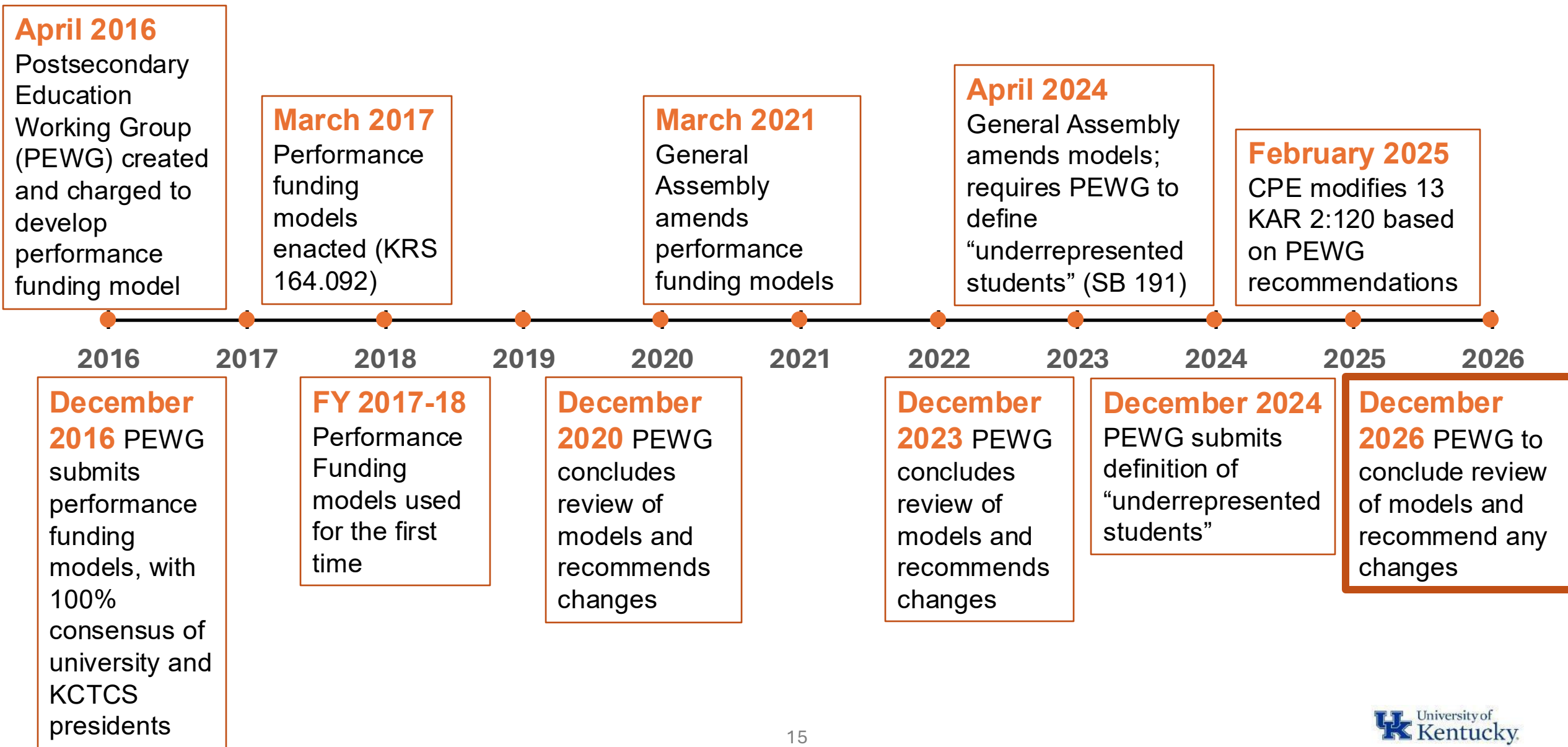
UK Contribution	UK Awards	UK % Funding Pool
\$ 9.1	\$13.4	46.4%
8.0	9.2	38.0%
9.8	14.5	37.6%
3.6	6.6	56.4%
--	6.1	45.2%
--	30.9	40.8%
--	33.3	43.9%
--	34.7	42.4%
--	41.2	45.9%
IN MILLIONS		

* Represents state appropriations and required contributions from the universities that were added to the Performance Funding Pool, which were then distributed to the institutions based on outcomes produced.

** Effective FY 2022, performance pool allocations are cumulative.

POSTSECONDARY EDUCATION PERFORMANCE FUNDING MODEL | WHAT IS NEXT?

Evolution of Kentucky's Postsecondary Education Performance Funding



POSTSECONDARY EDUCATION PERFORMANCE FUNDING MODEL | CURRENT ISSUES

Sectors	FY26 Adjusted Net General Funds	FY26 Performance Fund Pool Distributions
Research Universities	53.4%	69.9%
Comprehensive Universities	46.6%	30.1%
Total	100.0%	100.0%

Sector Weightings

Kentucky Revised Statutes 164.092(5)(a)

- Requires the model “recognize differences in missions and cost structures between research universities and comprehensive universities...”

2016 Postsecondary Education Working Group

- Decided to include all universities in a single pool
- Decided to incorporate differential sector weights across all metrics

University Metric Weighting Chart		
Metric	Research Universities	Comprehensive Universities
Bachelor’s Degrees	1.67345	1.00000
STEM+H Bachelor’s Degrees	1.54105	1.00000
First Generation Bachelor’s Degrees	1.67301	1.00000
Low Income Bachelor’s Degrees	2.35120	1.00000
Student Progression @ 30 Credit Hours	1.49386	1.00000
Student Progression @ 60 Credit Hours	1.45320	1.00000
Student Progression @ 90 Credit Hours	1.56076	1.00000
Weighted Student Credit Hours Earned	1.14208	1.00000
Facilities Square Feet	1.36134	1.00000
Instruction and Student Services Spending	0.90251	1.00000
FTE Student Enrollment	1.34278	1.00000



QUESTIONS

